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war

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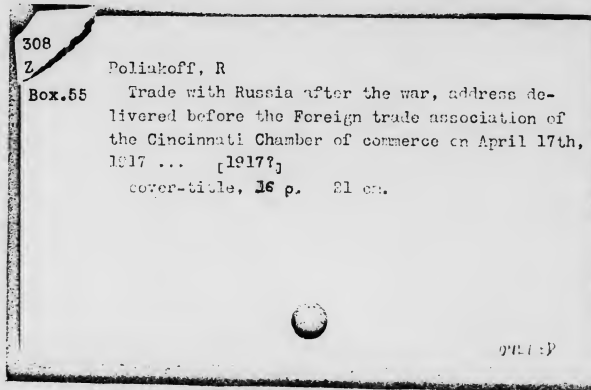
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TRADE WITH RUSSIA
AFTER THE WAR

ADDRESS

DELIVERED BEFORE

The Foreign Trade Association

OF THE

Cincinnati Chamber of Commerce

ON APRIL 17th, 1917.

BY

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TRADE WITH RUSSIA AFTER THE WAR

By R. POLLAKOFF

Mr. Chairman, Gentlemen:

First of all, allow me to thank you and your association for the honor that you have conferred upon me by inviting me to speak at this meeting. I must entirely attribute this honor not to my personal self, but to that country of which I am a citizen. In other words, I consider that you intended to hear from me something that would respond, in a certain degree, to the great interest aroused by the late developments in my country's life. I shall try to satisfy your curiosity as far as it is within my own enlightenment, and as far as the subject will correspond to the aims of your Association. Your President Mr. Alter, was kind enough to have outlined several subjects, the discussion of which, he deemed the most desirable. I shall attempt to adapt my address to his program, with the understanding, however, that the number of those proposed was too great. There were over twenty, and therefore I shall discuss only a few of their number. If the time allows, and anyone of you desires to ask some questions on subjects which I did not touch upon, I certainly shall be glad to give the necessary information, within the limitations of my own capacity.

The most noticeable feature of Russia before the War and the Revolution was that nobody knew

really anything positive about her. Her bigness was the only outstanding fact in her characteristics but the actual amount of her territories and her natural resources represent an item of such an importance for future economic relations between America and Russia, that it is worthy of a closer consideration and therefore, I think that the following data will be of interest:

The Russian Empire is the largest of all countries, comprising as it does, an area of 8,417,115 square miles or approximately one-sixth of the land surface of the world. The territory of Russia is equal to four times the size of the European continent and is more than double the area of the United States, including all of its island possessions.

In population Russia is surpassed only by China and India. The population on January 14, 1913 was authoritatively estimated at 174,099,600 which compared with 128,123,270 reported by the 1897 Census shows an increase of 35 per cent in 16 years.

It is claimed that Siberia alone with a population of but 10,000,000 scattered over an area twice the size of the United States has sufficient resources if properly developed to feed and clothe a population equal to that of all Europe.

Numerous extensions of the existing railway system were and are under construction and plans to establish upon the 15,000 miles of navigable waterways of Siberia, lines of steamships especially

adapted to river transportation. Better roads are being built and it is proposed to establish regular motor service to hitherto inaccessible districts. Hydro-electric developments are under contemplation. Machinery is being purchased to dig ditches and to drain fertile river valleys where floods have prevented grain raising. When I say "are," I mean that all this was begun before the war, and is going on even now, despite same. Great deposits of iron ore, coal, copper, silver, graphite, marble and semi-precious stones are being uncovered in the Ural, the Altai and other districts as a result of modern research methods.

Considered in relation to its undeveloped natural resources, Russia's debt and current taxation, including the additional burden of the War, is the lowest of the belligerent countries.

Agriculture, forestry, cattle-raising and mining normally constitute the backbone of Russia's economic system. Three-fourths of the population are engaged in farming, and Russia is known as the granary of the world, normally producing a large excess of foodstuffs over its own needs.

The huge territory of Russia and her enormous population are in accordance with her inexhaustible natural resources. There is hardly any metal or mineral which cannot be found within her boundaries. And as to the two main ores which characterize the wealth of any nation—

I have in view IRON AND COAL—there is an abundance in Russia of both of them. But if we come to the comparison of the figures with respect to Russia and America showing exploitation of these ores it cannot fail to appear startling and to disclose the comparatively unfavorable situation in Russia, and to answer to the question for the reasons of such comparatively small exploitation is in itself very simple and complicate at the same time; simple, because it shows that Russia is still not very much developed industrially, and complicate if we want to know the reasons of this inadequate development. I do not feel myself justified in going into details of the latter part of this question, but am perfectly willing to discuss it at length at some future occasion.

Turning from the conditions of ore exploitation to figures characterizing the commerce of Russia, it is necessary to say that, in this respect also, Russia stands far behind America, as can be shown by the following:—

In 1912, the exports of Russia were \$780,000,000 and the imports were \$600,000,000.

In America the exports at the same year were \$2,205,000,000 and the imports \$1,653,000,000.

Out of the total import figure of \$600,000,000, 52 to 55 per cent. or \$325,000,000 worth of goods came from Germany alone. It will be of interest to note the elements which composed this item, and to consider by what means Germany gradually

gained her economic preponderance on the Russian Market. It is beyond a shade of a doubt that one of the main factors which produced the increase of German trade with Russia, an increase from 40 per cent in 1870 to 55 per cent in 1912, was the Russian-German Commercial Treaty of 1904. This treaty was forced upon Russia during the Japanese War. When Germany set before Russia the dilemma, either to conclude with her a treaty selfishly for Germany, or to see Germany mobilize her armies towards Russia's Western Frontier while Russia was busy with Japan—under those conditions, the Russian Government had to choose the first alternative. The above mentioned Treaty of 1904 turned to be so detrimental to Russia's interests that the question, "Whether Russia is to continue to be a German Colony," was repeatedly raised in Russian economic literature. And in all fairness to Germany, one must say that she certainly did not fail to take advantage of this treaty imposed by her, and year in and year out flooded Russia with all kinds of manufactured goods. The result of this deluge of German products proved to be most disastrous for Russia.

Having been accustomed to have goods from Germany, Russia did not pay enough attention to the developments of corresponding branches of industry at home, and being cut off from Germany during the war, she, at once, was deprived of the possibilities of obtaining many such products which

were essentially necessary to her. It would be unjust to her, however, to suppose that the Russian-German-Commercial Treaty was the condition that entirely determined the German success in dealing with Russia; methods of trade adopted by Germany were equally momentous.

If the question of choice, as between German and, say, English goods, was merely a matter of quality and no other factors would have to be considered, then the English would perhaps always have the preference, but the English never considered seriously the comparatively low buying power of the Russian population. English goods were always higher priced and did not present as great variety and novelty as the German product.

In dealing with Russia the English almost never sold on credit. All contracts with Russian houses were closed with the condition *f. o. b.* English port. That was something that went against all the customs of the Russian market. The largest and most reliable Russian houses avail themselves of the credit system very largely in buying goods. To ask them for payment, as the English did, about a month and a half or two months before seeing the goods, was surely fatal for English trade in Russia.

The Germans did the opposite. There was almost no difference for a Russian to deal with a German or to deal with one of his own countrymen. German salesmen spoke Russian fluently, *presented buyers with catalogues* printed in Russian, with

goods marked according to the Russian system of measuring, with prices marked in roubles and kopeks. In addition to this, they gave Russian houses large and long time credit. All this built German success in trade with Russia.

It should be clearly understood that Russia was far from being content with her part of an economic German colony. Furthermore, the internal politics of Russia also depended, to a large degree, upon German direction, because the late Russian bureaucracy of the old regime was exceedingly anxious to keep in ever-constant conformity with the Prussian model of the administration of state affairs. The terms of the Commercial Treaty of 1904 expired in 1917, and as early as in 1913, Russia began to prepare for its revision. It was clear enough what the result of such a revision would be. The economic enslavement of Russia by Germany was to be abolished. This was openly discussed in the General Press, in public meetings, and in councils of experts, connected with the minister of Commerce. Germany, of course, was very well informed about it all, and who knows whether those statements from Russian sources are not correct, which asserted that Germany was gradually preparing, and finally grasped the opportunity of the murder of the Austrian Archduke in order to declare war upon Russia, and to force her to sign a new commercial treaty simultaneously with the treaty of peace. This treaty was certainly intended *not* to

fall short of the Treaty of 1904 in its advantages for German commerce. But in this case, as in so many others, Germany did not prove to be a successful gambler, and having bidden, she lost her stake; the issue at stake which she lost was all her Russian exports.

Generally speaking, there cannot be the slightest doubt that a foreign trade cannot be interrupted for three or more years without undergoing a blow. In Germany's case, far more deplorable consequences will be brought by the application of this rule, as the entire good, established by her before the war, will be ruined after it. This will not be the only reason why other countries, and the United States in particular, may reckon upon their share in the heritage of the former German trade with Russia. One must also take into consideration that Germany will lack both elements of highly developed industrialism after the war. She will not command any more a considerable amount of available capital, and the number of her skilled workmen will be largely killed off in her vast military activity.

A more serious competition for the American Industries and for American goods in Russia is to be expected from the Allied countries and from Scandinavia. But even in this case many reasons will render an equal competition of those countries with the United States extremely difficult:

The lack of free capital and the scarcity of skilled labor will affect Germany's foes, if not exactly in the same degree as Germany herself, still in a very considerable way.

The United States with its accumulation of capital and the number of its skilled workmen, increased by war industries, will be in a unique position to push forward its foreign trade on an immense scale. But one important condition must not be lost sight of with respect to a successful foreign trade even under most favorable circumstances; it is a condition, the neglect of which is likely to transform in the long run the brightest prospects of success into the saddest failure.

This condition is an adequate organization of an efficient selling apparatus.

A staff of agents and salesmen, familiar with the language and conditions of the prospective market must be created in advance, and agencies must be established in the *proper places*. In this connection it is all important to realize the respective standing of Moscow and Petrograd.

Petrograd was and is up to the present the seat of the Government, and she has been regarded by foreigners as the center of Russia's economic and spiritual life. This has always been a grievous mistake.

Petrograd never expressed the Russian national life, and even now the news from Russia, being cabled from Petrograd, suffers from great pro-

vincialism. If some of the American correspondents would go to Moscow, they would find a far more reliable material for their reports on the present political situation in Russia.

Personally, I attach very much importance as to the respective value, so to say, of Petrograd and Moscow, and I think therefore that a brief historical excursion in connection with this, will not raise any objection on your part, and will, at the least, be pardoned. Petrograd was Petersburg before the war and was named so by Peter the First or the Great, as the historians call him, who built the city in 1703. Therefore Petersburg was always associated with this Czar or First Emperor who, fascinated by the idea of Westernization at any price and aiming to transplant on the Russian soil a ready-made Dutch-German state, imitated everything even to the hairdressing and the stone pipes of his model foreigners. He introduced into Russia petty despotism of small principalities alongside of up-to-date military and legal improvements, and imported together with skilled engineers and foreman a crowd of foreign adventurers. Very soon the foreign adventurers took hold of the despotic machinery of state and successfully monopolized it for their own use during the following two centuries. Thus the Russian autocracy was the product of a purely Western institution, carefully elaborated and exemplified in all the numerous Schaumburg-Lippe-Dettmolds of Sachsen-Wei-

mar-Coburg-Gothas of which there were not enough but plenty within the German Empire of the 17th and 18th centuries and which attained its utmost development in modern Prussia and started the so-called Petersburg epoch of the Russian history which ended only a few weeks ago with the revolution. But Petrograd could and did not deprive the other big capital of Russia—the ancient Moscow—of her far reaching importance. Built in the twelfth century, she ever since has been and will always retain despite and against Petrograd desires her role, as Russia's most historical, national, social and economical center.

There and not in Petrograd, beats the throbbing pulse of the life of the nation and of the Russian national organism. It is certainly significant that it was Moscow which stopped the onslaught of Napoleon's invasion in 1812, it was Moscow where the liberation of the peasantry from serfdom in 1861 was proclaimed, and it also was there, that, during the present War, the activities of that powerful national organization were started, which spread itself all over Russia and did so much towards winning the present War.

I have in view the All Russian Union of Zemstvos and Cities, whose President, Prince Lvoff is now Prime Minister of the Provisional Government. And personally I would not be surprised at all, if we shall shortly hear that the capital of Russia has been decided to be removed from Petrograd to Mos-

cow, undoubtedly all Russia would rejoice at such a change.

Perhaps, I am dealing too long with the respective importance of Petrograd and of Moscow, but my reason for so doing is to emphasize and to impress upon you that it is Moscow and not Petrograd to which all Russia looks for inspiration in political as well as spiritual and in economic and industrial matters; and that it is Moscow who inspires to all the near and distant provinces of Russia an implicit faith in her superior judgment and her business sense.

A business proposition originating from Moscow has a far better chance for success than one originating from anywhere else. This will make it clear to you that the headquarters of a foreign firm should be invariably located in Moscow. There can be, of course, no doubt, that Petrograd is now an important industrial center of a large district of Northern Russia and a large seaport, and therefore she should have well equipped branch-agencies worked from Moscow. Agencies of the same importance as Petrograd should be established in Odessa. This latter city commands the sea-commerce on the Black Sea and is the chief port for the exports of grain.

It lies in a district of great industrial and commercial importance. Same applies also to Ekaterinslav, Kharkoff, and Rostov-on-Don, round which are centered the richest iron and coal ore deposits

of Russia and where the most important metallurgical works, mines and colliers are located.

An energetic and enterprising American business man, desirous to take advantage of the coming opportunity and engage in trade with Russia, may easily have his doubts as to the purely external difficulties, which he might meet in Russia.

Russia has been described as a half savage country for so long a time that an average American is as likely as not to expect a complete lack of comfort and dreadful means of communication.

This is one of the erroneous conceptions, which must be dispelled.

As to her railways mileage, Russia is second only to the United States, having over 45,000 miles of railways. With respect to the vast territories of the country, the railway net is entirely insufficient, but all the centers which are important for foreign trade have excellent connection with Moscow, Petrograd, Kharkoff, etc., and all American and English writers who have travelled in Russia are unanimous in their unqualified praises of the splendid comfort of the Russian trains.

I really begin to fear that I have tried your patience too long, but the subject is a very broad and important one, and touches so many vital problems of international interest (I am proud to be in a position to use this latter expression now, as the United States has become our Ally in the great world struggle of right, peace and justice against

might, war and frightfulness) that I prefer to touch only a few of the items involved at some length and to omit the others altogether, leaving it, as I pointed out at the beginning of my speech, to the discussion and the elucidation of the subjects which may interest you.

However, one more question, I think, must be touched now, and this is the Russian rate of exchange which is now extremely low and makes it nearly impossible for Russian business men to do any extensive business with America at the present time, but it must be borne in mind that this low rate of exchange of Russian roubles is entirely due to the cutting off of Russia's grain exports and the great increase of imports of war materials. The whole excess of foodstuffs produced by Russia became a dead weight in Russia's economic status after the closing of the Dardanelles and the Baltic ports.

After the war all this accumulated reserve of riches—most welcome to every nation—will constitute a strong basis for a rigid reconstruction of Russia's credit balance, and thus the chief hindrance for normal trade relating to foreign countries and in particular with the United States will be removed.

There is still another point which cannot be too strongly emphasized and that is the events which took place in Russia less than a month ago, and which are not only of a political character but also

of international economical importance, because having brought about a change towards a broad democratic régime of the people, by the people and for the people, this change will without doubt create new national demands and needs which will have to be satisfied both by domestic and foreign commerce and industry. You see, I take it to be an axiom—and statistics prove it—that in a democratic country the income and corresponding expenses per capita are much higher than in a non-democratic country.

How can the United States avail itself of taking part in satisfying these demands? It will be, of course, only natural for Russia to desire primarily the developments of her own resources and her own industries. To do this she must naturally look for assistance from foreign capital. As I already pointed out at the beginning of my speech, the United States will undoubtedly be the only country after the War that will be able to supply this capital to be used not only for pushing their foreign trade with Russia but also to develop her natural resources and means of transportation.

If Russia can be assured that the United States intend not only to attempt to fill the Russian market with American products which was Germany's—but to assist Russia also in the development of her own industries, and thereby help Russia to export to the European market these products that the United States is not in a position to export, Russia

will welcome a close economic relationship with them. If such a program can be carried out, there is no doubt but that the bulk of the great purchase of equipment of goods which Russia must make during the next ten or fourteen years will be purchased from the United States.

This export of American capital to Russia will be beneficial to both sides. It will be beneficial to Russia because it will develop her industries and will make her trade balance far more favorable than it would be if American goods and only goods were imported, and it will be beneficial to United States because there is hardly any better investment for capital than a young country, and you Americans know it too well because it was also foreign capital which helped so much to develop your own country after your Civil War, and now when Russia has become or is becoming your sister republic, not in spirit only—which she has been—but also in form, she fully believes that American capital invested in Russian enterprises will prove the most efficient missionary in the development of American trade, and permit me to avail myself of the present occasion and express the sincere hope that hand in hand with these industrial interests a better and truer understanding as to the actual intellectual and spiritual resources of our two countries will ensue. Long live the U. S. A. and long wave the Star Spangled Banner!

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